

Report of the Supervisory Board

2016 was a year of restructuring and reorganization for Ballast Nedam. At each meeting the Supervisory Board discussed financial developments, and reviewed the operations within the Group and market trends, using the various management reports and other information as input. Memorandums from the Board of Management were also discussed at the meetings, as were Board of Management decisions requiring the Supervisory Board's approval. Major subjects in which the Supervisory Board was frequently involved include the liquidity and refinancing arrangements with banks including guarantee facilities, shareholder financing, development of financial figures compared to business plan, restructuring and reorganizations including employment, managerial and approval flows, appointment of member of the Board of Management and status of major ongoing and potential projects.

Report on supervision by the Supervisory Board

As part of its supervisory duties, the Supervisory Board has given consideration to the achievement of the corporate objectives, the strategy and risks, the purpose and performance of internal risk control, financial reporting, compliance with legislation and regulations, and corporate social responsibility (CSR). Commentaries on each of these matters are provided below.

Report on supervisory duties: achievement of corporate objectives

Looking back on 2016, the Supervisory Board, despite the operating loss, noted that the Board of Management has gone through a dynamic year with reshaping of the company, establishing synergies with Rönésans Group, evaluating market potential and continuously working on the strategy, refinancing and liquidity control, strategic divestments amongst other important tasks. The Board of Management has significant achievements as included in the Report of the Board of Management.

As explained in section 2 (*Strategy*), the other strategic objectives for 2016 were partly achieved.

The Supervisory Board discussed the performance of the Board of Management both collectively and with regard to individual members. The remuneration of Board of Management members was also considered. Although Board of Management had significant achievements, financial targets were not achieved, accordingly no additional remuneration was proposed.

Report on supervisory duties: strategy and risks

The Supervisory Board deliberated at length on Ballast Nedam's strategy. Within the financial possibilities of the company, the Supervisory Board supports the Board of Management in the strategy that is set out in section 2.3 (*Outlook for 2017*).

The Supervisory Board and the Audit Committee also frequently discussed the various risks set out in section 3 (*Risk and risk management*).

Report on supervisory duties: purpose and performance of internal risk control

The Board of Management informed the Supervisory Board regularly about the risk profile, the course of events, the financial situation and market developments. The Supervisory Board also discussed with the Board of Management the most important risks for Ballast Nedam, the internal risk management and control systems, and how the risks could be further limited and controlled. The Supervisory Board further discussed with the Board of Management methods of limiting the risks in the operational process. The external auditor attended certain of these discussions.

Report on supervisory duties: financial reporting

Financial reporting was discussed at the Audit Committee meetings. The Audit Committee has discussed the internal control and financial reporting with the CFO and the Board of Management. Finally, the Supervisory Board discussed the half-yearly figures, the annual financial statements and results of the statutory audit.

Report on supervisory duties: compliance with legislation and regulations

The Supervisory Board has been involved with the selection and the appointment of the new Chief Compliance Officer and obtained regular updates on compliance and fraud assessment related matters with the Board of Management and the Chief Compliance Officer.

Report of the Audit Committee

The Audit Committee has two members. The Committee was chaired by Mr Baki throughout the year. Mrs Insinger stepped down in April 2016 and Mr van Doorne was appointed as a member of the Audit Committee as of 19 September 2016. The Audit Committee has acquired relevant knowledge and experience of financial matters via various input, prepared by amongst others the Board of Management. The Audit Committee held two meetings during the year, the secretary of the Supervisory Board and the external auditors were present, when relevant.

The Audit Committee discussed the following subjects, among others, in its meetings:

- the selection of the external auditor,
- the half-yearly and annual figures;
- the Annual Report;
- the reports and recommendations of the external auditors;
- the company's liquidity position.

The Audit Committee and the Supervisory Board discussed the findings of the external auditor, the management letter for 2016 and the follow-up to the findings with the external auditor.

Report of the Remuneration Committee

The Remuneration Committee met on one occasion in 2016. Mr Van Doorne (Chairman) and Mrs Ilıcak Kayaalp are the members of the Committee.

The following matters were discussed at the meetings:

- evaluation of the remuneration policy for members of the Board of Management;
- evaluation of the remuneration of individual members of the Board of Management;
- evaluation of the remuneration of individual members of the Supervisory Board.

The Remuneration Committee then advised the Supervisory Board on these matters. Section 5.4 (*Remuneration report*) provides further details of the remuneration policy.

Report of the Selection and Appointments Committee

The Selection and Appointments Committee met on two occasions in 2016. Mr Akvardar (Chairman) and Mrs Ilıcak Kayaalp are the members of the Committee

The following matters were, amongst others, discussed at the meetings:

- appointment of Messrs Padberg, Koçak and Canbaş as members of the Board of Management;
- Mrs Insinger's resignation and the filling of the vacancy resulted from her resignation;
- manner to review of the performance of individual members of the Supervisory Board collectively;
- manner to review of the performance of individual members of the Board of Management and of the Board of Management collectively.

The Selection and Appointments Committee then advised the Supervisory Board on these matters.

Composition of the Supervisory Board

Mrs Insinger stepped down in April 2016 and Mr Van Doorne's term has been extended.

Each member of the Supervisory Board must be capable of assessing the salient features of the overall policy. Members must possess the specific expertise needed to fulfil their duties, within their role that is compatible with the Supervisory Board's profile. The Supervisory Board strives to achieve a diversity of backgrounds and expertise among its members. The composition of the Supervisory Board must be such that it is able to perform its duties satisfactorily. Furthermore, each member of the Supervisory Board must have sufficient time available to perform his or her duties satisfactorily.

Supervision quality assurance

The Supervisory Board reports in this section on the activities carried out to monitor the quality of the management and its supervision.

Supervision quality assurance: independence

The Supervisory Board complies with the independence criterion laid down in the Dutch Corporate Governance Code.

Supervision quality assurance: internal auditor

Each year the Audit Committee evaluates the desirability of appointing an internal auditor. The Audit Committee concluded in 2016 that an internal audit department would be valuable for Ballast Nedam and advised the Supervisory Board and subsequently the Board of Management to establish an internal audit department.

Internal affairs

This section describes changes in the composition of the Supervisory Board and the attendance at meetings.

Internal affairs: departure

Mrs Insinger stepped down as supervisory director in April 2016. The Supervisory Board thanks Mrs Insinger for her work as member of the Supervisory Board of Ballast Nedam.

Internal affairs: attendance

In 2016, there were 5 meetings of the Supervisory Board, two meetings of the Audit Committee, one meeting of the Remuneration Committee and two meetings of the Selection and Appointments Committee. The majority of the meetings of the Supervisory Board took place via videoconference, whereby the attendees who could attend in person met in the Nieuwegein office of Ballast Nedam.

Internal affairs: secretary

Mrs T.J. Doornink was appointed as secretary to the Supervisory Board in 2014 and stepped down as secretary in June 2016. Mrs E.C.A.P. Koens-Bromet was appointed as secretary to the Supervisory Board in September 2016.

Dividends

The basic principle of Ballast Nedam's dividend policy is that 50% of the net profit is distributed as dividend if the leverage ratio is less than 2. In view of the loss incurred, the Supervisory Board approved the Board of Management's proposal to add the net result for the year to accumulated losses.